

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-10 IO-14  
ISO-00 L-03 FRB-01 OMB-01 ITC-01 SP-02 ICA-20  
AGRE-00 AID-05 CIAE-00 COME-00 INR-10 LAB-04  
NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15  
/154 W

-----107955 200529Z /16

R 191719Z JUL 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 8327  
INFO AMEMBASSY CANBERRA  
AMEMBASSY BRASILIA  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LIMA  
USINT HAVANA  
AMEMBASSY SANTO DOMINGO  
AMEMBASSY PORT LOUIS  
AMCONSUL RIO DE JANEIRO  
AMEMBASSY BUENOS AIRES  
AMEMBASSY SUVA  
AMEMBASSY NEW DELHI  
AMEMBASSY MOSCOW  
AMEMBASSY CAIRO  
AMEMBASSY OTTAWA

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USEEC

E.O. 11652: N/A  
TAGS: EPAP, EAGR, ETRD, ISO  
SUBJECT: SUGAR -- AUSTRALIAN STATEMENT TO THE EXECUTIVE  
COMMITTEE OF THE INTERNATIONAL SUGAR AGREEMENT

REF: (A) LONDON 11131 (B) LONDON 11221 (C) GENEVA 10945  
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1. THE FOLLOWING IS THE TEXT OF A STATEMENT BY AUSTRALIA  
AT THE EXECUTIVE COMMITTEE MEETING OF THE INTERNATIONAL  
SUGAR AGREEMENT ON 19 JULY, 1978:

QUOTE

"AUSTRALIA IS SEEKING A SPECIAL COUNCIL SESSION BECAUSE  
IT IS GRAVELY CONCERNED ABOUT A SITUATION IN WHICH THE

WORLD FREE MARKET PRICE FOR SUGAR HAS REACHED ITS LOWEST LEVEL SINCE 1972. THIS DEVELOPMENT IS CONTRARY TO THE EXPECTATIONS OF THE NEGOTIATORS AT THE U.N. SUGAR CONFERENCE WHO SAW THE WORLD PRICE INCREASING TOWARDS THE LOWER END OF THE PRICE RANGE IN THE SECOND HALF OF 1978.

WE ARE SEEKING A SPECIAL COUNCIL SESSION FOR THE PURPOSE OF A DETAILED DISCUSSION OF THE CURRENT SITUATION IN THE WORLD SUGAR MARKET AND OF THE ADVERSE EFFECTS WHICH CERTAIN FACTORS ARE PRESENTLY HAVING UPON THAT MARKET. I REFER TO SUCH FACTORS AS THE DELAY IN RATIFICATION OF THE ISA BY THE U.S., THE LACK OF ANY POSITIVE APPROACH BY THE EEC TO JOIN THE ISA AT THIS STAGE AND VARIOUS ISSUES OF PERHAPS LESSER IMPORTANCE BUT WHICH CAN BE CONSTRUED AS DANGER SIGNS FOR THE ISA. THERE IS PROVISION IN THE ISA FOR SPECIAL SESSIONS OF THE COUNCIL, INCLUDING SESSIONS IN EMERGENCY CIRCUMSTANCES. THAT IS NOT TO SAY THAT WHEN A SPECIAL SESSION IS CONVENED THE COUNCIL IS SIGNALLING TO THE WORLD SUGAR COMMUNITY THAT IT FEARS THE WORST FOR THE AGREEMENT. RATHER, THE CONTRARY VIEW IS TRUE IN THIS CASE. WE WANT TO MEET IN SPECIAL SESSION TO ENSURE THAT ALL MEMBERS AND POTENTIAL MEMBERS ARE AWARE OF AND HAVE CAREFULLY ASSESSED THE DANGER SIGNS AND HAVE MADE UP THEIR MINDS AS TO WHAT CAN AND SHOULD BE DONE COLLECTIVELY AND PERHAPS MORE IMPORTANTLY, INDIVIDUALLY ABOUT THEM THE MAJOR IMMEDIATE PROBLEM AS WE SEE IT IS THE MARKET REACTION TO U.S. NON-RATIFICATION. WE BELIEVE THAT

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ALMOST ALL THE PRICE DECLINE IN RECENT WEEKS IS DUE TO THE CONTINUING DELAY IN U.S. RATIFICATION. RIGHTLY OR WRONGLY THE MARKET PERCEIVES THIS DELAY AS A SIGN THAT THE AGREEMENT MAY NOT BE OPERATING IN A FEW MONTHS TIME. BUT THE PROBLEM IS LESS THAN A FEW MONTHS AWAY BECAUSE FALLING PRICES AND PESSIMISTIC ASSESSMENTS BY THOSE OPERATING IN THE MARKET TRADITIONALLY LEAD TO FAIRLY DEFINITE RESPONSES BY BUYERS AND SELLERS. AS A RESULT, THE COMMERCIAL OPERATORS COULD TEND TO IGNORE THE ISA QUOTAS IN THEIR SHORT TERM JUDGEMENTS AND TO DRAW THE WORLD SUGAR COMMUNITY TOWARDS THE NON-FULFILMENT OF OBLIGATIONS INCLUDING THOSE TO ACCUMULATE STOCKS BY THE END OF THIS YEAR.

A RESPONSE OF THAT CHARACTER WOULD BE A WRONG REACTION AND SHOULD BE RULED OUT ENTIRELY BEFORE IT COULD GAIN ANY SIGNIFICANT ACCEPTANCE. AUSTRALIA FOR ITS PART IS PLANNING A MARKETING STRATEGY OVER THE COMING MONTHS IN THE EXPECTATION THAT THE AGREEMENT WILL BE RATIFIED BY THE UNITED STATES AND WILL COME INTO FORCE WITH A FULLY OPERATIVE STOCK FINANCING FUND FROM 1 OCTOBER. BUT OUR OPINION IS ONLY ONE AND OUR COMMERCIAL STRATEGY DOES NOT DETERMINE THE COURSE OF EVENTS IN THE MARKET

AT LARGE. WE THEREFORE WANT TO ENSURE THAT THE SITUATION IS FULLY DISCUSSED AND UNDERSTOOD IN ORDER TO COUNTERACT ANY SUGGESTION THAT THE MARKET KNOWS BEST AND THAT INDIVIDUAL OPERATORS SHOULD PLAN THEIR STRATEGIES ACCORDINGLY.

IN ESSENCE WE BELIEVE THAT THERE IS AN URGENT NEED AND AN OBLIGATION ON THE COUNCIL TO REASSURE THE MARKET THAT THE AGREEMENT IS ON THE RAILS AND IS NOT ABOUT TO FALL APART. WE ALSO NEED TO CONSIDER WHAT CAN AND SHOULD BE DONE TO DEAL WITH THE CURRENT SITUATION, AND IN THIS WE ARE LOOK-

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ING TO THE COUNCIL COLLECTIVELY TO COME UP WITH SOME  
IDEAS AND PROPOSALS. ON THE MAJOR DIFFICULTIES (I.E. U.S  
NON-RATIFICATION AND EEC NON-PARTICIPATION) TWO POSSIBIL-  
ITIES SEEM OBVIOUS. IN THE CASE OF THE U.S. WE BELIEVE  
THAT THERE IS A WIDE APPRECIATION OF THE NATURE OF THE  
PROBLEMS CURRENTLY BEING FACED AND THERE MUST BE NO  
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THOUGHT THAT ANY DECISION BY THE COUNCIL WILL COMPLICATE  
FURTHER, THE U.S. ADMINISTRATION'S NEGOTIATIONS WITH  
CONGRESS. HOWEVER, IT WOULD SEEM APPROPRIATE FOR THE  
COUNCIL TO REGISTER THE VIEW THAT THESE NEGOTIATIONS  
HAVE BEEN EITHER PLANNED OR GOING ON FOR MANY MONTHS. WE  
BELIEVE IT WOULD ALSO BE FAIR FOR THE COUNCIL TO ASK FOR  
SOME CONCRETE SIGN THAT PROGRESS IS BEING  
MADE IN THESE NEGOTIATIONS, BEARING IN MIND THAT THE  
UNITED STATES WAS PERHAPS THE CHIEF ARCHITECT OF MANY OF  
THE PROVISIONS OF THE AGREEMENT. IF THERE CAN BE NO  
ASSURANCE BY THE UNITED STATES, THEN HOW CAN THE COUNCIL  
BE EXPECTED TO HEAD OFF SPECULATION AGAINST THE ISA? HOW  
CAN IT DO ANYTHING TO AVOID A PRICE DISASTER IN THE  
MARKET? THUS ONE PURPOSE OF A SPECIAL COUNCIL SESSION  
MIGHT BE TO ENABLE THE U.S. TO COMMUNICATE TO MEMBERS AND  
TO THE MARKET THAT REAL PROGRESS IS BEING MADE TOWARDS  
RATIFICATION. IT MAY EVEN BE POSSIBLE, AND WE WOULD HOPE  
THIS WOULD BE THE CASE, FOR THE U.S. TO HAVE RATIFIED BY  
THE TIME A SPECIAL SESSION IS HELD.

THE EEC SITUATION IS MORE DIFFICULT TO DEAL WITH BUT WE  
BELIEVE THAT FURTHER EXHORTATION BY ISA MEMBERS MEETING  
IN SPECIAL COUNCIL SESSION COULD WELL INFLUENCE THE  
COMMUNITY IN THE CONSIDERATION IT WILL SOON HAVE TO GIVE  
TO ITS POSITION WITH REGARD TO THE ISA. WE SUGGEST THAT  
THE COUNCIL MIGHT ALSO SEEK TO OBTAIN FROM THE EEC AN  
INTERIM COMMITMENT (PENDING ACCESSION NEGOTIATIONS) TO  
EXERCISE FAR GREATER RESTRAINT IN ITS APPLICATION OF  
EXPORT SUBSIDIES SO THAT PRESSURE MIGHT BE TAKEN OFF  
WORLD SUGAR PRICES GENERALLY.

THERE ARE OTHER PROBLEMS BESIDES THE TWO I HAVE MENTIONED  
AND ALL OF THESE ARE, IN A SENSE, RELATED TO THE CURRENT  
MARKET SITUATION. THE DOMINICAN REPUBLIC PROBLEM IS ONE  
AND I THINK THE COUNCIL COULD TAKE SOME SATISFACTION FROM  
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THE FACT THAT IT IS BEING HANDLED IN A SPECIAL WORKING  
GROUP AND THAT SOME PROGRESS IS BEING MADE THERE. WE  
WOULD NOT EXPECT THE SPECIAL SESSION TO DEAL IN DETAIL

WITH THIS OR OTHER SIMILAR PROBLEMS BUT IT COULD NOTE  
PROGRESS. HOWEVER, THE SPECIAL SESSION MIGHT BE HELPFUL  
IN AVERTING A PROLIFERATION OF THIS SORT OF ISSUE. WE  
WOULD HOPE THAT OUR REQUEST FOR A SPECIAL SESSION WILL BE  
SEEN AS REINFORCING OUR DESIRE THAT THE CURRENT CIRCUM-  
STANCES MUST NOT BE USED TO "JUSTIFY" OR OTHERWISE  
LEGITIMISE POSSIBLE BREACHES OF THE AGREEMENT. FOR  
REGARDLESS OF HOW MINOR SUCH BREACHES MIGHT SEEM TO BE,  
THEY ALL ADD TO THE DOWNWARD PRESSURE ON PRICES.  
IN SUMMARY, WE FEEL THERE ARE SUFFICIENT GROUNDS FOR  
FEARS AND EVEN FOR GRAVE CONCERN THAT CERTAIN FACTORS ARE  
HAVING SUCH ADVERSE EFFECTS ON THE MARKET AS TO PREJUDICE  
THE PROSPECTS FOR THE FULL AND SUCCESSFUL IMPLEMENTATION  
OF THE ISA. OUR PURPOSE IS TO ENSURE THAT THESE ADVERSE  
EFFECTS ARE CHECKED NOW, BEFORE THEY CAN GET OUT OF HAND.  
WE BELIEVE THAT UNLESS ALL MEMBERS ARE FULLY SEIZED BY  
THE GRAVITY OF THE MATTER WE COULD FIND OURSELVES IN A  
SITUATION WHERE THE AGREEMENT, AS AN EFFECTIVE MARKET  
CONTROL MECHANISM COULD COLLAPSE BEFORE WE HAVE HAD A  
CHANCE TO PREVENT IT.

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## Message Attributes

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